

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07

L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00

XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-04 CEA-01

FEA-01 /091 W

-----242137Z 073942 /63

R 240913Z MAR 77

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 9989

INFO AMEMBASSY BERLIN

AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMCONSUL ZAGREB

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EO 11652: NA

TAGS: ECIN ETRD EEWT COMECON YO

SUBJ: YUGOSLAV TRADE RELATIONS - USSR AND CEMA, 1976

SUMMARY. YUGOSLAV TRADE WITH CEMA COUNTRIES IN 1976 AMOUNTED TO 36 PERCENT OF TOTAL FOREIGN TRADE. THE SOVIET UNION IS YUGOSLAVIA'S LARGEST TRADING PARTNER OVERALL WITH A TWO-WAY EXCHANGE OF DOLS 2,144 MILLION AS COMPARED TO DOLS 1,819 MILLION IN 1975, AN INCREASE OF 17.9 PERCENT. YUGOSLAV EXPORTS TO USSR GREW FROM DOLS 1,012 MILLION IN 1975 TO DOLS 1,142 MILLION IN 1976 WHILE IMPORTS ROSE FROM DOLS 80 MILLION IN 1976 TO DOLS 1,002 MILLION IN 1976. YUGOSLAVIA ENJOYED A 1976 TRADE SURPLUS OF DOLS 140 MILLION AS COMPARED TO A SURPLUS OF DOLS 205 MILLION IN 1975. EXPORTS TO OTHER

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CEMA COUNTRIES IN 1976 ROSE ONLY 1.2 PERCENT OVER 1975 WHILE IMPORTS INCREASED BY 13.9 PERCENT. TOTAL TRADE INCREASED 9 PERCENT. YUGOSLAV TRADERS ARE BEGINNING TO BELIEVE THAT HARD CURRENCY CLEARING ARRANGEMENTS ARE BEING USED TO THEIR DISADVANTAGE BY TRADE PARTNERS WHO CREATE YUGOSLAV HARD CURRENCY OBLIGATIONS WHICH THEY THEN USE TO PAY FOR WESTERN IMPORTS. ONE SOLUTION PROPOSED IS TO HANDLE ALL YUGOSLAV-CEMA TRADE

ON HARD CURRENCY BASIS WITH CONCURRENT DE-EMPHASIZING OF
STRICT COMMODITY LISTS. END SUMMARY.

1. 1976 TRADE RESULTS WITH CEMA COUNTRIES DISCLOSED CERTAIN
CHANGES IN THE STRUCTURE OF TRADE. IN ADDITION TO THE
PROBLEM OF HIGHER PRICES AND NARROW ASSORTMENT OF COMMODITIES
AVAILABLE, YUGOSLAV IMPORTS INCLUDED A LARGER PROPORTION OF
HIGH VALUE MACHINERY TO RAW MATERIALS, WHILE EXPORTS WERE HEAVIER
IN RAW MATERIALS AND IN SERVICES, A MIX BETTER SUITED TO A COLONIAL
TRADEER THAN TO A SEMI-DEVELOPED COUNTRY. MACHINERY AND EQUIPMENT
HAVE BEEN LESS IMPORTANT IN YUGOSLAV EXPORTS BECAUSE OF THE
CEMA COUNTRIES' DEMANDS THAT THEY BE SOLD AT THE MOST FAVORABLE
WORLD PRICES, ALTHOUGH CEMA COUNTRIES' MUTUAL TRADE IS
THEORETICALLY BASED ON AVERAGE WORLD PRICES. EXPORTS OF RAW
MATERIALS AND PRIMARY PRODUCTS FROM NEWLY CONSTRUCTED OR
ENLARGED YUGOSLAV CAPACITIES (CONSTRUCTED THROUGH COMMODITY-
CREDIT ARRANGEMENTS WITH EASTERN EUROPEAN COUNTRIES) WERE
INCREASED THROUGH REPAYMENT OF THESE CREDITS IN KIND.

2. IN TRADE WITH THE USSR AN AMOUNT OF DOLS 85 MILLION WORTH
OF PLANNED IMPORTS IN 1976 WAS NOT IMPLEMENTED. ABOUT HALF
OF THIS AMOUNT WAS FOR PETROLEUM WHILE AROUND DOLS 23 MILLION
WOULD HAVE COVERED ELECTRONIC EQUIPMENT AND ALUMINUM.
OVERALL TRADE WITH THE USSR HAS ALSO FALLEN IN THE FIRST TWO
MONTHS OF 1977, PROBABLY BECAUSE OF A VERY LATE SIGNING
(DEC 31) OF THE 1977 TRADE PROTOCOL AND THE FACT THAT
SCHEDULED YUGOSLAV SHIP DELIVERIES HAVE NOT BEEN MADE IN
THE MONTH OF JANUARY AS HAS BEEN THE PRACTICE IN RECENT YEARS.

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3. ANOTHER FACTOR SEEN AS HARMFUL TO YUGOSLAV TRADE WITH
EASTERN EUROPE IS THE SETTLEMENT SYSTEM. IN 1975, POLAND,
ROMANIA, AND BULGARIA JOINED HUNGARY IN SETTLING TRADE
BALANCES WITH YUGOSLAVIA IN HARD CURRENCY INSTEAD OF ON THE
PREVIOUS CLEARING BASIS. INSTEAD OF GAINING ADVANTAGES GRANTED
TO BUYERS PAYING IN CONVERTIBLE CURRENCY, SOME YUGOSLAVS
CLAIM THAT THEIR TRADING PARTNERS ARE USING THE SYSTEM TO
GENERATE HARD CURRENCY. BY PURPOSELY UNDERBUYING FROM
YUGOSLAVIA, IN VIOLATION OF AT LEAST THE SPIRIT OF THE
BILATERAL TRADE AGREEMENTS, CEMA COUNTRIES GENERATE A HARD-
CURRENCY INFLOW AT YUGOSLV EXPENSE WHICH THEY USE TO SETTLE
THEIR HARD CURRENCY ACCOUNTS WITH WESTERN SUPPLIERS. THIS IS
A PLAUSIBLE THEORY SINCE STATE-CONTROLLED ECONOMIES ARE MORE
EASILY MANIPULATED TO THESE ENDS THAN THE FRAGMENTED YUGOSLAV
MARKET SYSTEM. HOWEVER, THE YUGOSLAV FAILURE TO REACH BALANCED
TRADE WITH HER CEMA HARD CURRENCY PARTNERS MAY BE JUST AS EASILY
ASCRIBED TO LACK OF COMPETITIVENESS OF YUGOSLAV EXPORTS COUPLED
WITH RELATIVELY INELASTIC DEMAND FOR THOSE PARTNERS' IMPORTS.

4. SOME YUGOSLAV INTERESTS SEE THE SOLUTION IN CONCLUDING
HARD CURRENCY CLEARING AGREEMENTS WITH THE REMAINING THREE
CEMA COUNTRIES (USSR, EAST GERMANY AND CZECHOSLOVAKIA). THEY
HOPE TO ESTABLISH MORE CLEAR-CUT RELATIONSHIPS IN WHICH ALL
PARTNERS COULD CLEARLY EXPRESS THEIR REAL TRADE INTERESTS IN
BOTH THE PURCHASE AND SALE OF COMMODITIES. THIS WOULD ALSO
REQUIRE A LESS DOGMATIC INSISTENCE ON THE USE OF COMMODITY
LISTS AND FREER CHOICE OF GOODS AVAILABLE FOR PURCHASE.
YUGOSLAVS WOULD ALSO HOPE TO REACH A MORE NORMAL SYSTEM OF
YUGOSLAVIA-CEMA INDUSTRIAL COOPERATION THEREBY, THE BEGINNINGS
OF WHICH HAVE BEEN ATTAINED IN COOPERATIVE AUTOMOTIVE
PRODUCTION.

6. TABLE OF YUGOSLAV TRADE WITH CEMA COUNTRIES AIRPOUCHED ALL
ADDRESSEE POSTS. YORK

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
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Sent Date: 24-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Film Number: D770101-0868
Format: TEL
From: BELGRADE
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Review Media Identifier:
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TAGS: ECIN, ETRD, EEWT, YO, XH, COMECON
To: STATE
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